



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING

REBECCA A. HUMPHRIES
DIRECTOR

September 29, 2004

The Honorable Michelle McManus, Chair
Senate Appropriations Subcommittee on
Natural Resources
State Capitol
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable John Pastor, Chair
House Appropriations Subcommittee on
Natural Resources
State Capitol
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator McManus and Representative Pastor:

Pursuant to Section 215, PA 147 of 2003, attached is a summary of the Department of Natural Resources (DNR) cost allocation plan for restricted funds. Due to the size of the cost allocation plan, only the summary is being forwarded. The remaining portion is available for review in the DNR's Financial Services office.

If you have questions, please contact Jane Schultz at 517-241-2392.

Sincerely,

Sharon M. Schafer, Chief
Budget and Support Services
517-335-3276

Attachment

cc: Senate Appropriations Subcommittee Members
House Appropriations Subcommittee Members
Ms. Jessica Runnels, Senate Fiscal Agency
Dr. Kirk Lindquist, House Fiscal Agency
Ms. Mary Lannoye, Department of Management and Budget (DMB)
Mr. Jacques McNeely, DMB
Ms. Jennifer Harrison, DMB
Director Rebecca A. Humphries, DNR
Mr. Dennis Fedewa, Chief Deputy, DNR
Ms. Mindy Koch, Resource Management Deputy, DNR
Mr. Rodney Stokes, Legislative Liaison, DNR
Mr. Joseph Frick, DNR
Ms. Jane Schultz, DNR

**Michigan Department of Natural Resources
Cost Allocation Project for
Administrative Funding Sources
FY 01/02**

Introduction

MAXIMUS, Inc. is pleased to present the results of the Cost Allocation Project for the Michigan Department of Natural Resources (DNR). The DNR has many state restricted funding sources that fund the administrative divisions of the Department. The purpose of this project was to prepare a cost allocation plan to determine a reasonable and defensible share of funding within each administrative appropriation. The plan is based on actual information for the year ended September 30, 2002, and includes an analysis of the following DNR appropriations:

- **1345 - Rent in State Buildings**
- **1346 - Rent in Private Buildings**
- **1092 - Executive - Commission**
- **1093 - Executive - Unclassified**
- **1001 - Executive - Executive Direction**
- **1101 - Finance and Operational Services**
- **1105 - Internal Audit**
- **1126 - Human Resources**
- **1140 – Office of Information Services**

Methodology

The project has been completed in two phases. Phase I allocates administrative costs to the divisional level. Phase II reallocates the costs to individual funding sources according to the ratio of funding provided for each division.

Phase I – Phase I of the project is included as Attachment A. The cost plan is divided into nine plan sections corresponding to each of the administrative appropriations. Each section of the cost plan includes a narrative description of the allocation procedures employed; a schedule of costs by functional grouping; and a schedule that details the allocation of costs within each function. The overall objective was to group costs into functional areas which represent an activity or service provided, and to subsequently allocate the activity to benefited programs using an allocation base which best represents benefit derived. Schedule A of Phase I represents a summary of allocated costs for each central service to the individual divisions of DNR.

Phase II – Phase II of the project is included as Attachment B. The Phase II cost plan reallocates the costs allocated to each division from each administrative appropriation in Phase I to the ultimate cost objective, the various funding sources of the DNR. Costs allocated to each division in Phase I have been reallocated according to the ratio of actual funded expenditures for that division. In some instances, cost in Phase I may have allocated directly to specific funding source, e.g. MNRTF. In those instances, Phase II simply reallocates those costs directly to the same funding source.

Due to the volume of detail to the Phase II plan, only the summary portion of the plan is included. The final results are illustrated on Schedule A of the plan.

Also included is a detailed listing of the allocation bases used to redistribute the Phase I allocations for the first plan section, Appropriation 1345 State Rent. The same allocation bases were used to redistribute Phase I allocations for each of the other appropriations.

Summary of Results

A summary of the final distribution of costs by funding source for each of the administrative appropriations is included in the following Exhibits.

- Exhibit I represents a reconciliation of costs, by appropriation, allocated in the cost plan. Costs are based upon current appropriation year expenditures identified in the DAFR 7480 report.
- Exhibit II shows the allocated funding results for each of the administrative appropriations.

Special Projects – It is important to note that in some instances costs directly associated with projects with discrete funding sources were allocated to a separate “Special Projects” cost pool. The “Special Projects” pool is separately identified in the Summary of Results, and has not been distributed or allocated. Funding for Special Projects would need to be determined and added to the amounts allocated on Exhibit II in order to fully state the allocated costs associated with each funding source. A summary of the FY 02 Special Projects follows:

SUMMARY OF SPECIAL PROJECTS

Appropriation	Project	Amount
1101	Special Assessment to Houghton Lake Improvement Board	50,000
1101	Accounting Assistance to HAL	50,000
1101	Vegetative Management System	28,432
1101	Pass-thru to External Organizations	321

Appropriation	Project	Amount
1140	Mainframe	665,645
1140	LOTS Program	250,863
1140	Education & Outreach	1,510,349
1140	E-Commerce	3,014,863
1140	MSU Agreement	20,169
Total		5,590,642

MICHIGAN DEPARTMENT OF NATURAL RESOURCES COST ALLOCATION PROJECT
ADMINISTRATIVE FUNDING SOURCES - FY 01/02
SUMMARY OF RESULTS

Exhibit II

FUND NAME	EXEC DIR 1001	COMM 1092	UNCLASS 1093	FOSB 1101	INT AUDIT 1105	HR 1126	ST RENT 1345	PRIV RENT 1346	INFO SVCS 1140	TOTAL
AIRCRAFT	1,441	70	317	9,156	824	1,252	2,396	339	7,954	23,749
AIRPHOTO	727	36	160	1,160	92	407	3,627	54	3,556	9,819
ALS-REV	2,951	143	650	7,831	580	2,702	11,901	156	16,976	43,890
CLEAN MICH	1,225	59	270	262,120	36,634	1,115	4,909	64	7,003	313,399
COMM-FISH	-	-	-	-	-	-	-	-	-	-
COMM-FOREST	171	8	38	438	122	145	131	52	847	1,952
DELQ-TAX	4,649	226	1,023	9,379	589	2,616	23,208	345	22,736	64,771
F&G	388,289	18,844	85,464	2,054,865	93,906	337,867	520,038	124,110	1,620,569	5,243,952
F&G-DEER	16,465	799	3,624	45,171	5,074	16,684	34,561	2,699	73,672	198,749
F&G-SETTLE	3,965	192	873	7,472	673	3,850	2,993	1,825	17,597	39,440
F&G-TURKEY	12,427	604	2,736	36,897	4,099	12,782	22,657	2,226	53,773	148,201
F&G-WL	11,162	541	2,457	14,199	2,299	7,807	6,405	4,021	36,027	84,918
F&G-WTRFWL LICENSE	-	-	-	416	7	-	-	-	-	423
F&G-WTRFWL MGMT	554	26	122	1,527	170	570	1,070	95	2,385	6,519
FOR-CAMP/REC	6,460	313	1,421	16,458	4,483	5,471	5,793	1,914	31,959	74,272
FOR-DEV	174,045	8,446	38,309	879,531	117,280	147,017	180,428	49,918	864,594	2,459,568
FOR-USE	1,226	60	270	3,115	841	1,036	1,169	358	6,064	14,139
FUEL SALES	-	-	-	-	-	-	-	-	-	-
GEO-INFO	33	2	7	67	5	724	149	2	2,060	3,049
GIFT	-	-	-	88	28	-	-	-	-	116
HARBOR	1,965	95	433	3,049	911	4,053	1,184	54	5,382	17,126
IDG-DEQ	35	2	8	113	11	37	65	6	152	429
IDG-ENG	7,796	378	1,716	888,699	1,461	6,780	32,408	433	43,982	983,653
IDG-LAND	2,742	133	604	4,150	331	1,460	13,909	208	13,244	36,781
IDG-MACMUL	9,469	460	2,084	13,186	4,278	19,152	6,848	275	26,390	82,142
INTERDIV	659	32	145	93,991	130	604	2,659	35	3,794	102,049
LAND SALE	13,943	676	3,069	22,157	1,805	7,735	69,947	1,050	67,640	188,022
LEFF	17,125	831	3,769	26,718	2,122	9,392	86,129	1,266	83,272	230,644
MACKINAC	-	-	-	-	-	-	-	-	-	-
MARINE	17,940	871	3,948	212,578	7,481	10,660	18,356	4,332	53,487	329,653
MCC ENDOW	12,596	611	2,772	17,381	5,798	25,965	7,625	347	34,524	107,619
MDOT-TRUNK	-	-	-	-	-	-	-	-	-	-
NATIONAL FOREST FEE	2,005	97	441	54,087	2,577	-	-	-	-	59,207
NON-GAME	3,893	188	857	14,730	1,353	3,856	7,203	635	16,223	48,938
MNRTF	19,499	946	4,292	523,909	63,340	12,492	93,125	1,353	99,207	818,163
ORV-TRAIL	11,509	558	2,533	96,102	4,544	9,853	7,843	3,343	40,568	176,853

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FUND NAME	EXEC DIR 1001	COMM 1092	UNCLASS 1093	FOSB 1101	INT AUDIT 1105	HR 1126	ST RENT 1345	PRIV RENT 1346	INFO SVCS 1140	TOTAL
PARK ENDOW	39,226	1,903	8,634	57,787	17,319	77,358	34,030	1,184	113,228	350,669
PI-PRKIMR	235,102	11,411	51,747	446,514	100,473	449,498	247,668	7,444	719,514	2,269,371
PRIVATE	3,549	172	780	9,096	2,246	3,787	2,990	862	15,900	39,382
PUB-REV	41	2	9	108	8	37	163	2	233	603
REC BOND	-	-	-	4,602	9,858	-	-	-	-	14,460
RIF	3,141	153	692	23,454	2,490	2,147	2,627	712	12,589	48,005
SIGN SHOP	158	8	35	406	113	135	121	48	785	1,809
SNOW-REG	6,005	291	1,322	48,694	1,484	4,130	4,649	1,959	19,654	88,188
SNOW-TRAIL	15,526	754	3,417	164,454	12,417	10,660	12,177	3,606	62,394	285,405
WATERWAYS	113,753	5,526	25,038	270,277	50,277	214,907	118,044	4,359	350,697	1,152,878
WITHDRAW	-	-	-	-	-	-	-	-	-	-
2002 IMP ACCT-PARK REV BOND	3	-	-	37,359	648	-	-	-	-	38,010
SPECIAL PROJECTS	-	-	-	128,753	-	-	-	-	5,461,889	5,590,642
GF/GP*	381,846	18,533	84,049	1,246,652	142,834	428,050	507,317	91,223	1,528,040	4,428,544
LINE ITEM TOTAL	1,545,316	75,000	340,135	7,758,896	704,015	1,844,793	2,098,522	312,934	11,540,560	26,220,171

*GF/GP INCLUDES ALLOCATIONS TO ALL FEDERAL FUNDS AND DEQ